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THE VIENNA MONETARY TREATY OF 1857.

THE monetary history of Germany prior to 1871 affords an interesting instance of an attempt at international monetary action. This is not the less instructive for having received comparatively little attention. It not only possesses a historical interest but has also a bearing upon the present. Its historical importance is dependent partly upon the place it occupies in German history, but primarily upon the fact that the international monetary action of Germany was the direct precursor of that taken by France and the countries of the "Latin Union." This connection between the monetary policies of Germany and France will be the more easily apprehended if we remember that the Latin Union was not a "bimetallic" league; it was, like the German, an attempt at international monetary action, and was primarily intended merely to overcome certain minor difficulties with subsidiary coin. Its supposed "bimetallic" character was only foisted upon it by subsequent events. It was the direct successor of the German league, both lineally and chronologically.

The connection of the German union with present day interests lies in its bearing upon international bimetallism. International bimetallism involves two different questions: the fixing of a ratio between gold and silver and international monetary action. It is upon the second of these that light may be thrown by a study of the German experiment.

I.

The movement for German unification, which first took definite form in the series of agreements beginning with the Zollverein treaty of 1834, did not confine itself to the regulation of tariffs, but included, in its catalogue of reforms, an attempt to systematize the coinage of the different states. This was a step second only in importance to the removal of commercial restrictions aimed at by the Zollverein. During a period of more than three

hundred years, attempts to introduce some degree of uniformity into the conflicting monetary systems of the German states had at various times been made. These had proved almost completely fruitless. At the close of the eighteenth century the condition of monetary affairs in Germany, although slightly more satisfactory than in earlier days, amounted almost to chaos. The necessity for harmony in the systems of weights, measures and money, had only been made more apparent by the new tariff legislation. How complete the confusion was can be easily imagined from the fact that no less than three different units of weight were in common use as the bases of different monetary systems in various parts of Germany,¹ while the systems themselves were very numerous as well as diverse.²

It was not strange, therefore, that the reform movement should turn its attention to the monetary system when once the Zollverein had laid the foundation of an *entente cordiale* between the states. As early as 1834, Hanover, in the law of April 8, and Brunswick, in that of December 18, had made some attempt at harmonizing their coinage systems, by the adoption of the Prussian plan of subdividing the mark of fine silver³ into 14 thalers or 21 gulden.⁴ These measures brought the subject prominently forward, and during the succeeding years it was widely discussed. The next step forward was taken by South Germany. On August 25, 1837, a conference was held at Munich. Bavaria, Würtemberg, Baden, Hesse-Darmstadt, Nassau and Frankfort were represented, and a plan for a uniform money was agreed upon. The mark of fine silver was to be divided into 24½ gulden, each of which was to consist of 60

¹ The Vienna mark of 243.870 grams, the Cologne mark of 243.870 grams, and the Prussian mark of 233.855 grams.

² For information on early German currency history, cf. SOETBEER, *Deutsche Münzverfassung*, pp. 1-3, etc.; "La Réforme Monétaire en Allemagne," *Journal des Économistes*, 1857, ii. i. pp. 336 *et seq.*; STENZEL, *Geschichte des Preussischen Staates*, vol. i. pp. 438 *et seq.*; vol. iii. pp. 290 *et seq.*; vol. v. pp. 141 *et seq.*, etc.; *Reichsstatisches Conclusum*, Ratisbon, 1666; also SHAW, *History of Currency*, pp. 199 *et seq.*

³ Equal to 233.855 grams.

⁴ See SOETBEER, *op. cit.*

kreutzers. But while this effort was quite in accordance with the spirit of the times, and really meant some advance, it nevertheless was not in harmony with the Prussian system which prevailed over a large area. It was therefore felt that the existing régime would prove unsatisfactory, and, in May 1838, a congress of the German states at Dresden decided upon the so-called "Universal Monetary Union."¹ This treaty did not attempt to disturb the two modes of accounting already extensively in use. It retained both the division of the mark of silver into 24½ gulden and the division into 14 thalers, basing both upon the Prussian mint weight of 233.855 grams to the mark and fixing the equivalence at 1 thaler to 1.75 gulden. Each of these systems was to prevail in certain carefully specified states, and it was provided that in no case should any state strike coins which did not form a part of its own special system.² In order to bridge the gap between the coinages of the two groups of states, further provision was made for the coins of the union which should possess full legal-tender quality everywhere within its limits. These were to be coined by each state in proportion to population, and were not to exceed, in the aggregate, 2,000,000 pieces before 1842, nor over 2,000,000 in each succeeding four-year period. The coins were to be struck at the rate of 6.3 to the mark, and were each to be equivalent to 2 thalers or 3½ gulden. Such sections of the treaty as regulated the relations of the Prussian and South German systems, as already described, were to apply only to specified states,³ while such as established the universal coinage system were acceded to by all the states of the Zollverein. Thus, in reality, two treaties were signed, the one aiming at greater uniformity in certain of the existing systems, the other

¹ *Allgemeine Münzkonvention der zum Zoll- und Handels-vereine verbundenen Staaten vom 30 Juli 1838.*

² For these and other provisions see SOETBEER, *op. cit.* p. 3, and *Journal des Économistes*, *loc. cit.* pp. 337 *et seq.*

³ This included Prussia, Bavaria, Saxony, Würtemberg, Baden, Hesse, Saxe-Weimar, Eisenach, Saxe-Meiningen, Frankfurt, Reuss, Reuss-Lobenstein, Reuss-Schleiz, Ebersdorf, Schwarzburg-Sondershausen, Schwarzburg-Rudolstadt, Gotha, Saxe Coburg, and Saxe Altenburg.

attempting to introduce a new and universal coinage which would, it was hoped, gradually supersede the older systems. Nevertheless, the best results could not be hoped for, so long as the old systems remained side by side with the new, since there was not the slightest harmony existing between them. Thus Austria adhered to the basis of 20 florins to the mark of fine silver, Hamburg and Lübeck retained the so-called Lübeck system,¹ and Bremen was the only state in Germany which possessed a gold standard—based on the louis d'or.²

Despite the incomplete character of the treaty provisions, it constituted a considerable advance over the state of things which had existed before its acceptance. "By this treaty," says Soetbeer,³ "an extraordinary progress toward unification and

¹ The four main monetary systems of Germany may be described as follows :

- 1) The Austrian system, 20 florins to the mark of fine silver, comprising the following coins :

Denomination	Weight	Fineness
1 fl.	14.031 grams	13 $\frac{1}{8}$ loths ¹
20 kreutzer	6.682 "	9 $\frac{1}{3}$ "
10 "	3.898 "	7 "
5 "	1.701 "	5 $\frac{1}{2}$ "

¹ 1 loth was the unit of fineness and was equal to $\frac{1}{8}$.

- 2) The South German system, 24 $\frac{1}{2}$ gulden to the mark of fine silver, including :

Denomination	Weight	Fineness
1 florin	10.606 grams	14 $\frac{7}{8}$ loths
$\frac{1}{2}$ "	5.303 "	14 $\frac{7}{8}$ "
6 kreutzer	2.598 "	5 $\frac{1}{8}$ "
3 "	1.299 "	5 $\frac{1}{8}$ "
1 "	0.835 "	2 $\frac{1}{8}$ "

- 3) The North German system, 14 thalers to the mark of fine silver, as follows :

Denomination	Weight	Fineness
1 thaler	22.272 grams	12 loths
5 silbergroschen	5.345 "	8 $\frac{1}{4}$ "
1 "	2.192 "	3 $\frac{1}{8}$ "
$\frac{1}{2}$ "	1.096 "	3 $\frac{1}{8}$ "

- 4) The Hamburg system, 9 banco-reichsthalers to the mark of fine silver :

Denomination	Fineness
1 banco-reichsthaler	14 $\frac{1}{8}$ loths
1 banco mark	14 $\frac{1}{8}$ "

16 banco marks = 13 courant marks (12 loths fine), each kind of mark being divided into 16 schillings.

² See *Journal des Économistes*, *loc. cit.*

³ *Loc. cit.*

solidification of the coinage system in Germany was made and a secure basis assured for it." In view of the intense jealousy existing between the German states, it was probably as good a makeshift as the times would allow. It was therefore able to hold its own during the whole period (twenty years) for which it had been concluded. Indeed, it became so popular that its scope was even widened somewhat. A supplementary agreement was signed in 1845. Mecklenburg was admitted to the league on the 14 thaler basis in 1848, and the free cities, Lübeck and Hamburg, were taken in, under the same system, during 1856. Attempts at further simplification were also made by Hanover and Saxe-Gotha.¹

These, however, were considered minor accessions only. What was regarded as the most important advance was made in the admission of Austria. The adherence of Austria to the monetary treaty was a direct result of her joining the Zollverein. Her efforts to destroy or outshine the German tariff-union, although continued over a long period of years, had been so far from successful that she at last found herself obliged to seek for admission to the league or submit to grave commercial disadvantage. When once her pride had thus been humbled, it was quite natural that she should readily accede to proposals for entering the monetary union as well as the tariff league. In the Commerce and Customs Treaty of February 19, 1853, by which Austria entered the Zollverein, it was especially provided that "the contracting states shall also, in the course of the year 1853, enter into negotiations regarding a general coinage treaty."² Certain agreements relative to greater uniformity in the Austrian coinage system were also made by this treaty, and were to go into immediate effect. All these arrangements were the better received by Austria on account of the existence of her legal tender notes which had now been in circulation since 1848.

¹ SOETBEER, *op. cit.* pp. 4-5.

² See Article XIX. of the treaty. For text see "Handels und Zoll Vertrag zwischen Preussen und Oesterreich vom 19 Februar, 1853;" *Preussisches Handelsarchiv*, 1853, vol. 1. pp. 250 *et seq.*

It was hoped that, by entering the monetary union, some concessions whereby the notes would be assured a more extended currency might be secured. Thus, when the determination to join the German states had once been taken, Austria was not at all loath to further the negotiations in every possible way. Accordingly, plenipotentiaries were accredited, and met in Vienna.¹ This convention really marks the opening of the struggle between gold and silver in Germany.

II.

In order to give the historical foundation for a statement of the contest which at this time began in Austria and the German states, it will now be necessary to go back and very briefly review the state of opinion regarding the standard of value—a point of which, so far, little mention has been made. Although it has already been stated that the Dresden convention of 1838 had proved of some benefit to the states included in it, it must not be supposed that no desires for further change had been expressed. At various times, dissatisfaction with the existing régime had been manifested, and among other things the introduction of the gold standard had been advocated. As early as 1838, Hoffmann had proposed a transition to a gold basis.² He and others continued to persevere in recommending the policy thus outlined,³ and soon a considerable number of competent thinkers had taken up the same idea.⁴ But in Germany the single silver standard, with gold as an auxiliary money, had always prevailed, and as commerce and trade were still on too small a scale to afford ground for an urgent demand for the introduction of a more valuable coinage, it was found impossible to dislodge the old silver standard from popular favor. In Austria the situation differed only in detail. Extensive use had,

¹ SOETBEER, *op. cit.*

² J. G. HOFFMANN, *Die Lehre vom Gelde als Anleitung zu gründlichen Urtheilen über das Geldwesen mit besonderer Beziehung auf den Preussischen Staat* (Berlin, 1838).

³ *Die Zeichen der Zeit im Deutschen Münzwesen* (Berlin, 1841).

⁴ See, e. g., *Zeitschrift für die Gesamte Staatswissenschaft*, 1857, pp. 97 *et seq.*

however, been made of paper, for the national bank, which possessed the right of issuing notes, had now long been bankrupt, owing to the state's diverting to its own use the resources of the institution, after the Napoleonic wars.¹ There was little question concerning the standard during the earlier part of the century. The notes were, of course, redeemable in silver, but as that metal itself was not used in ordinary transactions to any thing like the same extent as elsewhere, and as much of the inconvenience from its bulkiness was consequently avoided, while, on the whole, the ratio of silver to gold was fairly steady, not much complaint was made.

When, in 1848, political events compelled the Austrian government by the suspension of the bank act, to confess the disorder existing in its own finances, as well as its practical misappropriation of the funds of the bank, this step, coinciding as it did with the beginning of the increase in production of gold, attracted public attention to the monetary question, and the feeling that resumption, when effected, should take place in gold soon became general.² Just at the time when this was coming to be thoroughly appreciated by the administration, the Commerce and Customs Treaty of 1853 was signed, and the monetary negotiations, in accordance with its provisions, were undertaken at Vienna³ the following year.

Thus the question which, after 1850, obtruded itself in most of the European countries, was not absent in Germany. On the one side, Austria and a minority of the German states strongly favored a gold standard; on the other side, the larger part of the countries included in the Zollverein were anxious to adhere to the old silver basis. As there was no burden of depreciated metal to dispose of, bimetallism was little noticed and was favored by no one.⁴

¹ See WIESER, "Resumption of Specie Payments in Austria-Hungary," *JOURNAL OF POLITICAL ECONOMY*, June 1893, pp. 380 *et seq.*

² See *Ibid.*; also SOETBEER, *op. cit.*, p. 5.

³ See p. 192 above.

⁴ "That the system of the double standard—gold and silver together—is impracticable, lies in the nature of things."—G. F. KOLB, "Gold oder Silberwährung," *Zeitschrift für die gesammte Staatswissenschaft*, 1856, pp. 579 *et seq.*

The arguments urged on either side of the question are familiar. Gold was favored because of its superior usefulness for commercial purposes and its greater adaptability to the needs of large business transactions. Others preferred silver on the ground of its supposedly greater stability of value, and the fear that the great and increasing production of gold would lower the value of that metal furnished the strongest support to those who opposed more extended use of gold as money. Elaborate attempts to ascertain the probable effect of the increase in production of gold upon the relative value of silver and gold were made, and the difficulty of obtaining any reliable figures as well as of drawing any definite conclusions did much to increase the distrust of gold as a money metal.

The condition of public opinion in Germany will perhaps be better understood by the help of a brief comparison of the monetary situation with that contemporaneously existing in France. France had been the first to feel the far-reaching effects of the new gold, since it flowed more readily into her territory than into that of other European countries. This was due not only to her ratio of $15\frac{1}{2} : 1$, which provided her with an alternating standard, but also to the fact that her coin was for the most part new and in good condition, so that the ratio of $15\frac{1}{2} : 1$ between gold and silver was an actual as well as a legal fact. Thus an exchange of gold for silver was not only easy, since it was not forbidden by law, but at the market ratios then ruling it was sure to be profitable; since the fineness and weight of the coin were, in most cases, fully up to the legal standard. Hence the process of supplanting silver with gold was rapid.

In Germany, however, conditions were very different and the process must necessarily have been much slower. This was due (1) to the actual state of the coins, and (2) to the fact that silver was the sole legal standard. The circumstance that the silver coins differed so radically in weight and fineness, even when up to the legal provisions, as well as the circumstance that so large a proportion of them were abraded or debased, was

sufficient to render the process of exchanging them for gold quite slow, since they could not be indiscriminately accepted as of uniform weight and fineness, like the French. When compared with this impediment to the invasion of gold, the existence of the legal silver standard was of minor importance. It is unnecessary to dwell at length upon the futility of attempts to control monetary wants by law. In France, after 1850, creditors might still, by the terms of the law of 1803, have exacted payment in silver. That they did not do so was due in large measure to the desire generally felt for an extended use of gold as a more convenient medium of exchange. The fact that gold was enabled to supplant silver was due, not only to the profit derived from the exchange, but also to the willingness of the people to use gold as money. The same was true, in a more limited degree, in Germany. In many parts of the country gold was welcomed because of the greater ease with which exchanges could now be effected. The existence of the legal silver standard did not prove a bar to the admission of the new coin where it was wanted. Considerable amounts came in from France and other foreign countries, and although gold was not so eagerly welcomed as in France, owing to the smaller scale of commercial transactions in Germany, its entrance into the circulation was favored in many parts of the country.

When, therefore, the question of a new monetary union which should include Austria, was brought up, the advocates of a system of currency based on gold considered it an opportune moment for urging the transition from a silver to a gold standard. They accordingly argued for the introduction of the new system on the ground that the transition could be much more advantageously effected by the government than by private initiative, while on the comparative merits of gold and silver for use as money the argument ran as already outlined.¹ It was felt that the occasion of concluding a new monetary treaty would furnish the opportunity of settling the question for some years to

¹ See p. 194 above.

come, and the importance of the step led to much careful study of the situation.¹

At the close of the last section it was explained how the Customs Treaty of February 19, 1853, had provided for the conclusion of a monetary agreement which should supplement the advantages expected from the customs union.² In accordance with this provision, a monetary convention assembled, in 1854, for the purpose of deciding upon the terms of the new treaty. The debate upon the gold and silver question was protracted and obstinate. On the one side, the trading cities and the higher commercial interests generally were firm in their support of gold as the more desirable basis for the new system, while the states where industrial development was less advanced adhered to the traditional medium. At this date, however, in many parts of Germany, industrial progress had been but small, and it naturally resulted that the reactionary party in the convention obtained decidedly the upper hand. Despite the fact that the supporters of the gold standard mustered sufficient strength to impede the action of their opponents, and so brought the convention to an end in February 1855 without apparent result,³ it was evident that the silver partisans had won. A single utterance of the convention is quite sufficient to make this perfectly clear. Before breaking up, it expressed the following decisive opinion: "The liquidation of all obligations—both state and private—calling for a certain specified quantity of silver, in such a value as, in some one of the states, may be indicated by a certain specified quantity of gold, dependent on circumstances more or less arbitrarily fixed, must be considered a very questionable policy at a time when a further depreciation of gold is the prospect, or (what must be given equal weight by the governments) is quite generally feared. In any case the value of gold must

¹ For the opposing views on this subject see, *e. g.*, the painstaking work of G. F. KOLB, "Gold oder Silberwährung," *Zeitschrift für die gesamte Staatswissenschaft*, 1856, pp. 486-535, and SCHÄFFLE, "Die Deutsche Münzkonvention vom 24 Januar 1857 volkswirtschaftlich und politisch betrachtet. Erster Artikel," *Ibid.* 1857, pp. 92-141

² See p. 191 above.

³ SOETBEER, *loc. cit.* p. 5.

yet pass through many alterations and crises before it also attains a point even approximating to stability and permanence."¹ Thus it was in nowise the ordinary fears of the present day, resting upon the supposed prospects of scarcity and consequent appreciation of gold, etc., which influenced German opinion in 1854-5. It was the directly opposite notion—that gold was likely to decline in value on account of a surplus production—and the wish to avoid a progressively depreciating standard, which led to the preference expressed for silver.

As the conference of 1855 had ended without immediate result, it was decided to renew the attempt to come to an agreement in the following year. It was expected that the conflict between the adherents of the two opposing monetary policies would then be continued. This expectation was not realized. During the interval which elapsed between the two conventions, public opinion, in response to the reiterated assertions regarding the probable fall in the value of gold, pronounced itself strongly for a monetary system based upon silver. Consequently, when the delegates again met in 1856, the question of a change to the gold standard was scarcely mentioned. This really amounted to Austria's yielding her prepossessions in favor of gold. As the difference of opinion on the gold and silver question had been the greatest obstacle to an understanding, there was now no real reason why a treaty should not be readily concluded. Consequently, on the 24th of January 1857, the famous Vienna convention² was signed by Austria and the German states.³

III.

As already explained, the advocates of the gold standard had been absolutely defeated in the preliminary debates and in the subsequent public discussion. This left three possible lines of action open to the prospective monetary league: (1) The bimetallic policy, (2) the adoption of a system based solely on

¹SOETBEER, *loc. cit.* pp. 5-6.

²For the original text see *Preussisches Handelsarchiv*, 1857, p. 405 *et seq.* For a translation of this text see the Appendix.

³For a list of states included see the translation of the treaty in the Appendix, p. 270.

silver, and (3) the introduction of a system based upon silver, with gold as an auxiliary money. It has been remarked, earlier in the present paper, that bimetallism had at this time obtained no hold upon Germany.¹ Conditions had not fostered the growth of a feeling favorable to bimetallism. There was no accumulation of depreciated metal to be disposed of, and the idea of fixing a ratio higher than that existing in the market, for the purpose of scaling all obligations, was not familiar. Moreover, the fear of a depreciating standard of value was precisely the consideration which had led to the rejection of gold. Theoretically, bimetallism, although but little discussed, was generally considered untenable.

It was clear, too, that the plan of completely excluding gold and basing the monetary system solely on silver, without other kinds of money, would be impossible. The rapidly increasing use of gold as money, not only in France but throughout the world at large, could not be overlooked, and called for recognition. The use of an absolute single silver standard would throw Germany out of harmony with leading commercial nations. Thus, there was but one course left—that of adopting silver as the standard of value while at the same time permitting the auxiliary use of gold as a money of commerce. This was precisely the plan which had been followed, in effect, by France fifty-three years earlier in the monetary law of 1803. France, however, had been glad to receive the new gold in exchange for her silver soon after 1850. Germany now proposed to follow the same course as had been pursued by France in 1803. She intended, however, that the provisions of the law should be so explicit that it would be clearly understood that silver was to be the sole standard of value.

Accordingly, the Vienna Convention, by Article 2 of the main treaty,² provided that “the organization of the mints of the

¹ See p. 193 above.

² The treaty consisted of two principal sections, one the *Hauptvertrag*, or main treaty, containing the provisions of the agreement in a concise and unexpanded form, the other, the so-called *Separat-Artikel*, explaining them and providing for their application.

contracting states shall be based upon the retention of the single silver standard." The status of gold was established by Article 18. Two gold coins, the crown and the half-crown, which should weigh respectively $\frac{1}{50}$ and $\frac{1}{100}$ of the pound of fine gold, were provided for.

Austria was to be allowed to coin ducats, bearing the head of Maria Theresa, up to and including the year 1865, but with this exception no other gold pieces were to be permitted. Secondly, the value of the gold coins was regulated as follows: "The value, in silver, of the gold coins of the union, for ordinary business transactions, shall be regulated solely by the relation of supply to demand; and therefore the quality of legal tender, belonging to the silver standard of the country, may not be attributed to them, and no one shall be legally bound to accept them in this character." The auxiliary character of the gold coins was still further made clear by Article 20, which released the states from all obligations to receive worn or abraded gold coin, and although such coins, when once received, might not again be paid out by the public treasuries, they were in no wise a standard coin, they need not be redeemed, and were receivable in payment of debt only at the option of the payee.

The vague provision that the value of gold coins should be regulated by the relation of supply to demand was of course of no practical use, since it furnished no clue whereby the rate at which they might be taken could be determined. It would be impossible for everyone, before accepting a gold coin in trade, to ascertain its exact market value as measured in silver, by resorting to the market quotations. In order, therefore, to provide for the public a definite and authoritative source of information concerning the value of the gold coins, Article 21 arranges a clumsy and complicated mechanism to serve that purpose. Each treasury was allowed individually to fix the rate at which it would receive gold coin, with the proviso that such rate should in no case exceed the average value of the coin as it had passed "in ordinary open-market transactions during the

six months preceding." The edicts proclaiming and fixing the value of the gold coin were to contain.

a. A statement of the average commercial value of gold, estimated in silver, on specified markets during the six months immediately preceding.

b. The rate of acceptance *previously* fixed.

c. The duration of the validity of the treaty.

d. The reservation of the power to alter or reduce the rate.

e. The explanation that the rate specified concerned only the public treasuries.

These provisions of course reduced the gold coins to the status of coined ingots merely. Thus, the Vienna treaty carried to its logical outcome the principle involved in the French law of 1803. Instead of once for all fixing the weights at which the auxiliary money (gold) should be coined in pieces denominated as certain multiples of the (silver) unit, the franc, and then leaving the public to determine for itself the discount or premium at which the gold pieces should exchange against the silver-standard money, it fixed an independent denomination for gold coin of specified weight, and regulated by proclamation the relation of these coins to the silver standard. The principle involved was the same in both instances, but in the case of Germany it was more clearly and logically elaborated.

Thus the problem of regulating the relations of gold and silver was summarily disposed of in a comparatively small space. The remainder of the treaty was an attempt to bring about a more uniform monetary system, and closely resembled the agreement of 1838. It was evident that so long as the weights used at the various mints were dissimilar, a mere superficial resemblance in denominations would be useless. The most fundamental reform demanded was therefore the introduction of a single universal unit of weight. This was attained by the adoption of the pound of 500 grams already in use at the custom houses of the Zollverein (Article 1). As this was the weight upon which the French system was based, it would now be much easier to estimate the value of the money of one country

in terms of that of the other. Although some were inclined to question the wisdom of any approach to similarity with the French system,¹ on account of the extended use of gold in France, it was more generally believed that the facilitation of international payments would overbalance any inconveniences arising from this similarity.²

On account of existing habits of thinking and accounting, it was found impossible to reduce the number of "systems" to less than three. A threefold division of the pound was therefore recognized.³ It was to be divided into 30 thalers, or 45 (Austrian) florins, or 52½ (South German) florins. The first of these was the Prussian system.⁴ This was adopted for seventeen states, possessing an aggregate population of 23,000,000. Austria and Liechtenstein, whose population might be estimated at 35,000,000, were placed on the 45 florin basis. The third mode of reckoning was adopted for South Germany, and was recognized in eleven states, whose aggregate population was between 9,000,000 and 10,000,000.⁵

Like the older treaty of 1838, the Vienna convention also provided for a money common to all the states of the union (*Vereinsmünze*).⁶ There were to be a one-thaler piece, equivalent to 1½ (Austrian) florins and to 1¾ (South-German) florins, and a two-thaler piece which should contain $\frac{1}{10}$ of the pound of fine silver. Full legal-tender quality was also granted to the coins of the old union of 1838,⁷ and any discrimination against coins struck under the former systems was especially forbidden.⁸

¹ See e. g. SCHÄFFLE, "Die Deutsche Münzkonvention vom 24. Januar 1857, Zweiter Artikel." *Zeitschrift für die gesammte Staatswissenschaft*, 1857, p. 266 et seq.

² This, of course, is not to say that the French and German systems were at all uniform.

³ Articles 2 and 3.

⁴ For an enumeration see translation of treaty in the Appendix, p. 270.

⁵ There still remained outside the union Luxemburg, Holstein, both Mecklenburgs and the three Hanse towns.

⁶ Article 8 of main treaty.

⁷ Article 9 of main treaty.

⁸ Article 4, *Ibid.*

Article 6 embodied a pledge by which the states bound themselves to allow no deterioration or debasement of the coin under pretense of an improvement. Thus the expedient of meeting fiscal needs by debasing the coin was definitely forbidden. The pledge not to lower the standard of the coin was rendered effective by Article 12.¹ The new coins were to be periodically tested, and in case they were found defective they were to be retired by the state which had emitted them. A standard weight and fineness were adopted, but the amount of the standard coinage was left to the will of individual states.² Subsidiary coins were also provided for and their amount was to be carefully restricted.³

A more important matter was disposed of near the close of the treaty,⁴ in a section prohibiting the issue or circulation of irredeemable paper money. This was a direct blow at Austria. As has already been observed, Austria was still maintaining an irredeemable paper currency, and it seems probable that in entering the monetary union she had even hoped for a wider circulation for her paper than before. Compliance with Article 22 would necessitate Austria's retiring the notes of the Austrian national bank, but as no special arrangements were made for that purpose there seemed to be little prospect of immediate resumption in specie. Notwithstanding this, it was agreed that, "The exceptions to this rule, possibly existing for the time, are to be abolished by January 1, 1859." The duration of the league was fixed at twenty years.

Such, briefly, were the essential elements of the Vienna monetary treaty of 1857. As we have already noted, they differed little, save in a few points, from those involved in the treaty of 1838.⁵

¹ See also Sections VI. and VII. of the auxiliary treaty.

² The coins of the union (*Vereinsmünze*) of course were not included under this provision. They were to be coined in proportion to population by the several states—twenty-four thalers to each hundred souls before 1860, and sixteen to every hundred in each succeeding four-year period thereafter.

³ Article 14.

⁴ Article 22.

⁵ Compare the criticisms of SCHÄFFLE, *loc. cit.*, *Zweiter Artikel*, p. 325 *et seq.*

IV.

The failure of the Vienna treaty to accomplish any results is well known. In general its lack of success may be attributed to two principal causes: (1) the reactionary course pursued by the treaty itself, and (2) the train of unfavorable political events which began soon after its adoption. Under the first caption may be included: (*a*) the general unwisdom displayed in running counter to the pronounced monetary tendencies of the time in favor of gold, and (*b*) the clumsy character of the mechanism for expressing the relation of gold to silver.¹ These two reasons for its failure are explained by Nasse,² who, referring to the provisions regarding gold, says: "It soon became apparent that a coinage constantly fluctuating in its value is absolutely unsuitable for the state treasuries and for the keeping of accounts." Concerning the adoption of the silver standard, he continues,³ "The use of gold in the countries of the Latin Union was increasing. In connection with the use of the gold standard in Europe and in the generally flourishing English colonies, gold had become the metal in which those peoples who controlled the commerce of the world, and with whom Germany had the most important commercial relations, made their payments and kept their accounts. It was only to be expected that the legal discarding of the clumsy silver coin in all these states would follow upon the practical disuse of them."

The fact that the treaty of 1857 practically never went into effect⁴ may thus be explained by the circumstances just alluded to. Coming, as it did, at a critical moment in the monetary history of the world, and pursuing a course which practically

¹ See p. 200, above.

² "Das Geld und Münzwesen," *Schönberg's Handbuch der Politischen Oekonomie*, vol. i. p. 360.

³ *Ibid.*

⁴ Speaking of one particular feature of the treaty, Ad. Wagner says: "Regular calculations of price, such as the coin convention anticipated, were . . . not made, so that nothing in particular can be concluded from the price of gold in the interior of Germany.—" *Report of the United States Monetary Commission*, 1876-7, vol. i. p. 191.

precluded the use of gold, and was thus diametrically opposed to the course it should naturally have adopted, it must have proved practically abortive, in any event.¹ But as already observed, even had the union been based on a more accurate interpretation of monetary needs, it could scarcely have been entirely successful. The war which broke out between Italy and Austria in 1859, less than two years after the conclusion of the treaty, as well as other contemporaneous political events, must have materially hampered its operation.² It soon became apparent that the failure of the Vienna treaty was inevitable and that practically all that could be expected was a continuation of the state of affairs which had existed prior to 1857. This was not at all in accord with popular wishes. The old régime was rapidly becoming unbearable, and everywhere in Germany "a lively interest in the introduction of a uniform German coinage reform made itself noticeable . . . during the years following the conclusion of the Vienna monetary treaty."³ It was in recognition of this feeling that the first German Commercial Congress [*Handelstag*], which met at Heidelberg in May 1861, passed resolutions in favor of a new attempt at monetary unification, on the thirty-thaler system with a decimal division. These resolutions were approved by many chambers of commerce, and tacitly by the people at large.

But just at this point, the fact that public opinion had taken a new turn began to make itself strongly felt. The French system had for some time been almost completely drained of silver, and the continued demand for this metal for export to the east

¹Even in the matter of promoting uniformity, the treaty was far from being all that could have been desired. "The new system constituted no doubt a great progress over former conditions, but to show that there yet remained much to do, it is only necessary to cite the diversity of monetary types which still remained in circulation in the different states; in fact there were seventeen kinds of gold coin and about sixty-six varieties of silver coin. Little by little, the idea of a radical monetary reorganization made itself felt."—HAUPT, *Histoire Monétaire de Notre Temps*, p. 83.

²Compare COSTES, *Notes et Tableaux pour Servir à l'Étude de la Question Monétaire*, pp. 73, 74.

³SOETBEER, *op. cit.*, p. 6. See also COSTES, *Notes et Tableaux*, pp. 74, 75 et seq.

necessitated a resort to the German monetary system. During the years succeeding 1855, gold had been flowing into Germany in moderate amounts, and had come into much more general use than before. From 1857 to 1865, about 800,000,000 of thalers in silver were sent from Germany to Southampton and Marseilles.¹ Their place was taken by an equivalent amount of gold, and, owing to increased familiarity with gold, public opinion, which had somewhat earlier been so strongly opposed to its use, now underwent a reaction. The advantages arising from greater facility in effecting exchanges with neighboring countries and particularly with France began to be understood. A strong desire, not only for greater uniformity, but also for a monetary system based upon gold, manifested itself. At this juncture, the project for the Latin Union was brought up in France, and it was at the very time the first treaty of the Latin Union was being elaborated in Paris that the third German Commercial Congress (Frankfort, end of September, 1865) expressed the wish that the German states should strike gold coins identical in value with the popular French twenty-franc pieces.² If it be remembered that this was at a moment when it was generally believed that the Latin Union would be established on a gold basis, the possibility of Germany's joining with France and the Latin countries on a gold basis will be understood. The same fact is indicated also by many other circumstances of the time. That it was no chimera may be seen from the example of Austria. It will be recalled that Austria had all along favored a gold standard and had endeavored to introduce it at the time of the formation of the union of 1857. But, as we have seen, the union was of no practical effect, and as Austria was disappointed in the hope of resuming specie payments, she was affected by the treaty even less than the other states, since fresh coinage would be of no use during the régime of inconvertible paper. The feeling in favor of gold, already strong in Austria, was intensified by the growth of a similar feeling throughout Ger-

¹ SOETBEER, *loc. cit.* p. 7.

² *Ibid.* p. 7.

many. Soon after the formation of the Latin Union, Austria felt that the time had come to break with the moribund German union. Accordingly she withdrew from it and opened negotiations with the Latin states. She readily perceived the advantages flowing from the actual gold standard prevailing throughout these countries, but neither public opinion nor her ideas of sound monetary principles would allow her to accept the supposedly bimetallic basis of the Latin treaty—even though it was for the time apparently a dead letter. A treaty on the gold basis was concluded July 31, 1867, between Austria and the Latin Union.¹

The action of Austria in insisting upon an adherence to the gold basis, and the unwillingness displayed by other countries to join with the Latin Union so long as it did not take some decisive step for excluding silver in case of the threatened fall in the value of that metal, made it plain that the Latin league was not destined to meet with the success which had been anticipated for it. Germany, which at first would have liked to follow the example of Austria in concluding a monetary treaty with the Latin countries, was now deterred not merely by aversion to the bimetallism of the Latin Union, but also by strained political relations with France. Soon after the agreement between Austria and the Latin Union had been signed, silver fell slightly in value and began to flow quite noticeably into France and the allied countries. This still further strengthened the determination of Germany not to become entangled with the French monetary system, more especially as the bad feeling between Germany and France was daily increasing. It was by this time clear that Germany would adopt the gold standard when the time came for her to inaugurate her new monetary reform. It was also evident that the Latin Union was not to be successful in attracting other countries, and this largely on account of its not adopting gold. This certainty, coupled with the increased coinage of silver, aroused a strong feeling in France for the demonetization of silver. It was seen that should Germany succeed in anticipating France in the adoption of a gold standard

¹ For text see *Enquête sur la Question Monétaire*, Paris, 1872, vol. ii. pp. 541-6.

she would speedily supplant her rival as a leader in monetary policy. This movement for the demonetization of silver led to the various governmental *enquêtes* and commissions which declared for the adoption of the gold standard by France, during the years from 1867 to 1870. But the bimetallist party was successful in preventing the passage of any immediate measures, and just at the moment when there seemed to be a prospect of taking some steps in favor of gold, the outbreak of the Franco-Prussian war necessitated the suspension of all action on the monetary question.

The war was no sooner fairly over than Germany, acting upon her determination already previously taken and the occasion presented to her by the payment of the French indemnity, seized the opportunity for inaugurating a gold standard. The situation of France was not such as seemed to warrant her in taking any immediate step.

Germany was thus able to anticipate France in the adoption of such a policy as would be likely to attract adherents among the minor European states. The long expected reform was thus effected, and not a moment too soon, as was almost immediately shown by the serious fall in the value of silver.

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